



## MEMORANDUM

**DATE:** October 22, 2019  
**TO:** Mayor and Council  
**FROM:** Eric Holmes, City Manager  
**RE:** **October 28 Stronger Vancouver work session**

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At the October 7 work session, the City Council gave direction on a few key elements of the Stronger Vancouver package. These were:

- Elimination of the business and occupation tax as a revenue source under the initiative.
- Confirmation of the Business License Surcharge (BLS) as a revenue source to be included as part of the initiative.
- Confirmation of a levy lid lift as the preferred property tax funding tool to engage voters under the initiative.

The October 28 Council meeting agenda has been designed to provide a forum for Council discussions and deliberations on the Stronger Vancouver without time constraints. There are a number of key points of direction pending from the Council that are needed to draft adoption documents for Council's final review and consideration. The Stronger Vancouver discussion is broken into two major blocks:

- 4:00 – 6:00: Stronger Vancouver
  - Detailed review of remaining revenue elements – park impact fees and admissions tax
  - Review of alternative scenarios
- 6:00 – 6:30: dinner break
- 6:30 – 6:45: brief special business meeting
- 6:45 – end: Stronger Vancouver
  - Discussion, deliberation and direction on remaining variables

The remaining key points of direction include:

- Park Impact Fee rates: adjusting park impact fees plays a significant role in the overall capital funding strategy as recommended by the Executive Sponsors Council (ESC). The park impact fee rate is being reviewed by both the Parks and Recreation Advisory

Commission (PRAC) and the Planning Commission. ***The Planning Commission has not yet finished developing their recommendation. The recommendation is expected to occur in November prior to Council's final consideration.*** (\$2.6 million annually)

- Admissions Tax: the admissions tax is the recommended tool to provide ongoing funding for the City's Arts, Culture and Heritage Program, a plan which was adopted by the Council in April 2018. The admission tax was identified in that plan as a way to fund the program. Though admissions tax is a general-purpose revenue, the ESC recommendation for admissions tax to be dedicated to funding an arts program is premised on the tax applying only to multi-screen theaters. (\$0.5 million annually)
- Utility tax: the ESC recommendation is to increase the utility tax by 2.7%. The future operations center replacement project will rely in part on an increase in utility rates. The current recommendation anticipates offsetting increases in utility taxes proportionate to future rate increases associated with the operations center project to eliminate the compounding effect and assure that the revenue target from this source is met. This approach is anticipated to be memorialized in the ordinance enacting the utility tax increase included as part of the Stronger Vancouver package. (\$2.7 million annually)
- Property Tax: with the direction to rely on a permanent levy lid lift from the last Council work session, the type of levy and rate still need to be determined. The options are a single-year permanent or multi-year permanent; the rate depends on the overall size of the package and the revenue derived from other sources.

Depending on the direction of Council on these revenue items, ***the overall scope of the package may need to change in composition and/or scale.***

Based on this and other Council discussions to date, the City team has developed three scenarios for Council's further consideration. These three scenarios serve as a discussion framework for Council to provide direction on the outstanding variables of the Stronger Vancouver effort. Where they reflect an overall reduction in the package, the scenarios generally favor capital projects over programs. In the reduction scenarios, they favor the priorities that have emerged through the Council discussions and community engagement, which are public safety, economic development, homelessness and parks.

A more detailed presentation of the scenarios will be provided under separate cover, but they are generally as follows:

	Scenario A: Good	Scenario B: Better	Scenario C: Best
<b>Revenues</b>	Elimination of B & O: Reduce by \$5.5 m annually	Offset half of the revenue reductions associated with elimination of B & O through a combination of property tax and utility tax	Offset all of the revenue reductions associated with elimination of B & O through a combination of property tax and utility tax
<b>Projects and Services</b>	<ul style="list-style-type: none"> <li>Favor capital projects over programs</li> <li>Favor the priorities that have emerged through the Council discussions and community engagement, which are public safety, economic development, homelessness and parks.</li> </ul>		No change from prior Council discussions

### **Impact analysis**

With the prior Council direction and introduction of new scenarios, staff has completed updated payer balance and typical impact analysis by household and business sector. This analysis will be provided to Council for reference in advance of Monday's work session.

### **Electoral Considerations**

As Council narrows in on the scope and purpose of a levy lid lift, two elements will need to be finalized: the language of the ballot title and the timing of the election.

Below is a sample/draft ballot title that could serve as a basis for the Stronger Vancouver initiative that illustrates the statutory requirements along with the constraints they represent:

*This proposition would fund construction, maintenance and operations of public safety, parks and recreation, streets, homelessness as follows: (1) increase the regular property tax levy to \$2.XX per \$1,000 assessed value for collection in 2021; (2) increase the 2022-2026 levy amounts by X.X%; and (3) authorize use of 2026 levy amount as the base for computing levies in succeeding years. Qualifying seniors and others would be exempt under RCW84.36.381. Should this proposition be approved?*

*Statute limits ballot titles to 75 words or less; the above is 74 words.*

Relative to election timing, to assure adequate time for a fact-based educational effort as well as a separately run political campaign, targeting either an August 2020 primary election or a November 2020 general election would be most appropriate. The potential advantages or disadvantages of either are best answered by the Council.

**Global Implementation Considerations**

The Council's deliberations have been consistent to date reinforcing an interest in a phased implementation that provides both lead time and transition time for businesses and households affected by the package. Staff will be preparing implantation ordinances for Council's consideration and adoption later this year that reflect this principle. Further, in consideration of all of the variables inherent in both the Stronger Vancouver package as well as the general environment, January 1, 2021, would be both a viable and appropriate initial effective date of new revenues contemplated in the Stronger Vancouver package. Phasing would span 2021-2023, would initiate after the results of an election are understood, and would align with the next biennial budget cycle.

I look forward to Monday's deliberation and direction on the package to be brought back for final review and public hearings in November-December.